



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

ANNUAL AUDITED REPORT Form Mail Processing
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FACING PAGE Washington, DC
Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2007 AND ENDING 12/31/2007
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Panattoni Securities, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

8775 Folsom Boulevard, Suite 200

(No. and Street)

Sacramento

California

95826

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Frederick G. Ferrara

916-273-5585

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Tate, Propp, Beggs & Sugimoto

(Name - if individual, state last, first, middle name)

1545 River Park Drive, Suite 375

Sacramento

California

95815-4614

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

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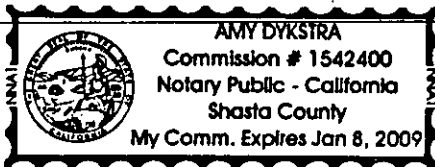
THOMSON
FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Frederick G. Ferrara, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Panattoni Securities, Inc., as of December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Frederick G. Ferrara

Signature

Chief Compliance Officer

Title

Amy Dykstra
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

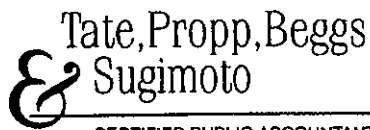
PANATTONI SECURITIES, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

December 31, 2007 and 2006

PANATTONI SECURITIES, INC.

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS

To the Board of Directors
Panattoni Securities, Inc.
Sacramento, California

We have audited the accompanying statements of financial condition of Panattoni Securities, Inc. (the Company), as of December 31, 2007 and 2006, and the related statements of income, changes in stockholder's equity and cash flows for the years then ended that you are filing pursuant to

Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Panattoni Securities, Inc., as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Tate, Propp, Beggs & Sugimoto
An Accountancy Corporation

February 25, 2008
Sacramento, California
A Professional Corporation
1545 River Park Drive, Suite 375
Sacramento, CA 95815-4614

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FAX (916) 929-0879
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tpbs

PANATTONI SECURITIES, INC.

STATEMENTS OF FINANCIAL CONDITION

December 31, 2007 and 2006

ASSETS

Current Assets:	2007	2006
Cash	\$ 335,926	\$ 288,938
Accounts receivable	55,828	70,185
Deposits	3,326	3,326
Prepaid expenses	1,000	1,755
Total current assets	396,080	364,204
Property and equipment, net	5,536	9,557
Total Assets	<u>\$ 401,616</u>	<u>\$ 373,761</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:		
Accounts payable	\$ 48,076	\$ 96,790
Stockholder's Equity:		
Common stock, no par value, 10,000 shares authorized, 1,000 shares issued and outstanding	10,000	10,000
Additional paid-in capital	220,000	210,000
Retained earnings	123,540	56,971
Total stockholder's equity	353,540	276,971
Total Liabilities and Stockholder's Equity	<u>\$ 401,616</u>	<u>\$ 373,761</u>

The accompanying notes are an integral part
of these financial statements.

PANATTONI SECURITIES, INC.

STATEMENTS OF INCOME

For the Years Ended December 31, 2007 and 2006

	2007	2006
Revenues:		
Fees and commissions	\$ 807,699	\$ 745,432
Other income	51,239	-
Total revenue	858,938	745,432
Expenses:		
Consulting	62,615	54,297
Continuing education	2,651	2,873
Depreciation	4,021	4,021
Fingerprinting expenses	290	56
Employee benefits	23,797	7,547
Legal and accounting	60,470	48,404
Office supplies and expenses	50,815	83,896
Payroll taxes and service	24,253	14,029
Penalties and fines	508	-
Postage and shipping	630	3,911
Professional fees	110	-
Professional privilege tax	1,600	-
Registration fees	36,240	20,499
Salaries and wages	321,152	249,667
Computer consulting and supplies	10,037	1,055
Taxes	9,173	800
Travel and meals	4,007	11,281
Total expenses	612,369	502,336
Net income	\$ 246,569	\$ 243,096

The accompanying notes are an integral part
of these financial statements.

PANATTONI SECURITIES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2007 and 2006

	<u>Common Stock</u>		<u>Paid-In</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Earnings</u>	<u>Stockholder's</u>
				<u>(Deficit)</u>	<u>Equity</u>
Balance, December 31, 2005	1,000	\$ 10,000	\$ 210,000	\$ (16,125)	\$ 203,875
Capital Contributions	-	-	-	-	-
Distributions to stockholder	-	-	-	(170,000)	(170,000)
Net income	-	-	-	243,096	243,096
Balance, December 31, 2006	1,000	\$ 10,000	\$ 210,000	\$ 56,971	\$ 276,971
Capital Contributions	-	-	10,000	-	10,000
Distributions to stockholder	-	-	-	(180,000)	(180,000)
Net income	-	-	-	246,569	246,569
Balance, December 31, 2007	<u>1,000</u>	<u>\$ 10,000</u>	<u>\$ 220,000</u>	<u>\$ 123,540</u>	<u>\$ 353,540</u>

The accompanying notes are an integral part
of these financial statements.

PANATTONI SECURITIES, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006

	2007	2006
Cash Flows from Operating Activities:		
Cash received from customers	\$ 873,295	\$ 738,997
Cash paid to vendors and employees	(647,134)	(405,484)
Income taxes paid	(9,173)	(800)
Net cash provided by operating activities	<u>216,988</u>	<u>332,713</u>
Cash Flows from Financing Activities:		
Additional paid-in capital	10,000	-
Distributions to stockholder	<u>(180,000)</u>	<u>(170,000)</u>
Net cash used in financing activities	<u>(170,000)</u>	<u>(170,000)</u>
Net increase in cash	46,988	162,713
Cash, beginning of year	<u>288,938</u>	<u>126,225</u>
Cash, end of year	<u>\$ 335,926</u>	<u>\$ 288,938</u>
Reconciliation of Net Income to Net <u>Cash Provided by Operating Activities:</u>		
Net income	\$ 246,569	\$ 243,096
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,021	4,021
(Increase) decrease in accounts receivable	14,357	(6,435)
Decrease in prepaid expenses	755	-
Increase (decrease) in accounts payable	<u>(48,714)</u>	<u>92,031</u>
Net cash provided by operating activities	<u>\$ 216,988</u>	<u>\$ 332,713</u>

The accompanying notes are an integral part
of these financial statements.

PANATTONI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 1: ORGANIZATION AND NATURE OF BUSINESS

Panattoni Securities, Inc., (the Company) was incorporated on July 12, 2004 in the State of California. The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company has been formed to assist Panattoni Development Company, LLC (PDC), a California limited liability company, in the private placement of equity in real estate assets to be developed, owned, operated and sold by PDC. These private placement offerings are exempt from registration pursuant to Regulation D promulgated under the Securities Act of 1933. The Company does not engage in the underwriting of securities, retail brokerage, or securities custodial services.

On January 1, 2007 Panattoni Development Company, LLC acquired 100% of the Company's outstanding common stock making it the Company's sole shareholder.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Accounts Receivable

Management believes that all accounts receivable as December 31, 2007 are fully collectible; therefore, no allowance is recorded.

Property and Equipment

Property and equipment is stated at historical cost and the Company provides for depreciation over the estimated useful lives of the assets using the accelerated double declining balance method. The estimated lives of these assets range from 5 to 7 years.

Maintenance and repairs are charged to expense as incurred. Renewals and betterments, which extend the useful lives of assets, are capitalized.

S Corporation - Income Tax Status

The Company has elected S Corporation status for federal and state income tax purposes under Internal Revenue Code Section 1362 and California Revenue and Taxation Code Section 23801, respectively, whereby all items of income and expense flow through to the individual stockholders. The Company is, however, subject to the greater of a minimum state franchise tax or a 1½% state income tax.

PANATTONI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain items in the 2006 financial statements have been reclassified, with no effect on net income, to conform to the 2007 presentation.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2007 and 2006 is summarized as follows:

	2007	2006
Office furniture and equipment	\$ 15,945	\$ 15,945
Less accumulated depreciation	10,409	6,388
Property and equipment, net	<u>\$ 5,536</u>	<u>\$ 9,557</u>

Depreciation expense relating to property and equipment was \$4,021 and \$4,020 for the years ended December 31, 2007 and 2006, respectively.

NOTE 4: OPERATING AND ADMINISTRATIVE EXPENSES

On January 1, 2007, the Company entered into an office and administrative services agreement with Panattoni Development Company, LLC (PDC), the Company's sole shareholder. Under the terms of the agreement, the Company will receive all management and back office services required other than direct services. Certain overhead expenses of the Company will be paid by PDC including but not limited to payroll, employee benefit administration, insurance, rent, utilities, taxes, phone and internet. The terms of the agreement provide for an initial term of one year, renewed automatically for successive one-year terms. The Company had a balance payable to PDC in the amount of \$40,717 at December 31, 2007.

PANATTONI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 5: REVENUE SOURCE CONCENTRATION

The Company exclusively sells securities for real estate assets developed, owned, operated and sold by Panattoni Development Company, LLC (PDC). All of the Company's business is obtained through referrals from PDC. Thus, the Company's revenue is dependent on continued referrals and real estate projects from PDC.

SUPPLEMENTARY INFORMATION

PANATTONI SECURITIES, INC.

SCHEDULE I -
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
December 31, 2007

Net capital requirement, the greater of:		\$	5,000
6-2/3% of aggregate indebtedness	\$	3,205	
Minimum dollar requirement		5,000	
Net capital			287,850
Excess net capital		\$	<u>282,850</u>
Aggregate indebtedness		48,076	
Excess net capital at 100% (net capital, less 10% aggregated indebtedness)	\$	283,042	
Ratio of aggregate indebtedness to net capital		16.70%	
Ratio of subordinated indebtedness to debt/equity total		N/A	
120% of required net capital		\$	6,000
Net capital in excess of 120% of required net capital		\$	<u>281,850</u>
Total assets		\$	401,616
Less: total liabilities			48,076
Net worth		\$	<u>353,540</u>
Deductions from and/or charges to net worth:			
Total non-allowable assets	\$	65,690	
Other deductions or charges		-	
Excess fidelity bond deductible		-	
Total deductions from and/or charges to net worth			65,690
Net capital before haircuts on securities positions		\$	<u>287,850</u>
Haircuts on:			
Certificates of deposit and commercial paper	\$	-	
U.S. and Canadian government obligations		-	
State and municipal government obligations		-	
Corporate obligations		-	
Stocks and warrants		-	
Options		-	
Arbitrage		-	
Other securities		-	
Other positions		-	
Undue concentrations		-	
Total haircuts			-
Net capital		\$	<u>287,850</u>

PANATTONI SECURITIES, INC.

SCHEDULE I -
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
December 31, 2007

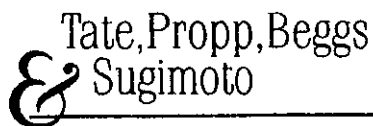
Non-allowable assets:	
Accounts receivable	\$ 55,828
Deposits	3,326
Prepaid expenses	1,000
Property and equipment, net	<u>5,536</u>
Total non-allowable assets	<u>\$ 65,690</u>
Other deductions or charges:	
Fidelity bond deductible:	
Minimum net capital requirement	\$ 5,000
Fidelity bond coverage requirement	\$ 6,000
Fidelity bond deductible allowed *	\$ 5,000
Fidelity bond deductible	\$ 5,000
Excess fidelity bond deductible	\$ -

* greater of (i) 10% of amount of coverage required or (ii) \$5,000

Net capital as shown on the Focus IIA Report, as of December 31, 2007	\$ 283,133
Plus: Consulting fees payable	<u>4,717</u>
Net capital as shown on the annual audit	\$ 287,850

NOTES TO SCHEDULE I

A computation for determination of reserve requirements pursuant to Rule 15c3-3 as specified by Rule 17a-5(d)(3) and information relating to possession or control of securities as specified by Rule 15c3-3 and Rule 17a-5(d)(3) were both omitted and are not required as the Company operates pursuant to the exemptive provisions or SEC Rule 15c3-3(k)(2)(i). The Company does not hold customer funds or securities.



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
REQUIRED BY SEC RULE 17a-5

To the Board of Directors
Panattoni Securities, Inc.
Sacramento, California

In planning and performing our audit of the financial statements of Panattoni Securities, Inc., (the Company), as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregated debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

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To the Board of Directors
Panattoni Securities, Inc.
Page 3

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Tate, Propp, Bees & Sugimoto
An Accountancy Corporation

February 25, 2008
Sacramento, California

END tpbs